

1 HONORABLE JAMES L. ROBART
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IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

9
10 MICROSOFT CORPORATION, a
Washington corporation,

11 Plaintiff,

12 vs.

13
14 MOTOROLA, INC., and MOTOROLA
MOBILITY, INC.,

15 Defendants

16 Case No. 10-1823

17 PLAINTIFF MICROSOFT'S MOTION
FOR LEAVE TO FILE AMENDED
AND SUPPLEMENTAL COMPLAINT

18 Noted: Friday, February 25, 2011

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20 I. INTRODUCTION/RELIEF REQUESTED

21 Plaintiff Microsoft Corporation respectfully requests leave to file an Amended and
22 Supplemental Complaint, a copy of which is attached hereto as Exhibit A (the "Amended
23 Complaint"). Allowing Microsoft to amend and supplement its complaint is necessary to fairly
24 adjudicate Microsoft's claims against Defendants Motorola, Inc., Motorola Mobility, Inc., and
25 (if the Microsoft's motion is granted), General Instrument Corporation. The most significant
changes reflected in the Amended Complaint are the inclusion of additional facts that post-date

PLAINTIFF MICROSOFT'S MOTION FOR
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1 the filing of Microsoft's initial complaint and the addition of Motorola Mobility, Inc.'s wholly-
 2 owned subsidiary, General Instrument, as a defendant.

3 After Microsoft filed its original complaint, Motorola Mobility and General Instrument
 4 (collectively called the "Motorola Parties") filed complaints for patent infringement against
 5 Microsoft in the Federal District Court for the Western District of Wisconsin and before the
 6 International Trade Commission. In these filings, the Motorola Parties seek, *inter alia*,
 7 injunctive relief based on Microsoft's alleged infringement of patents the Motorola Parties
 8 claim are "essential" to practice the H.264 standard and, in the ITC case, the 802.11/WLAN or
 9 H.264 standard.

10 In its proposed amended complaint, Microsoft asserts that such filings are a further
 11 breach of contract by the Motorola Parties, which are obligated to, but have not, offered to
 12 license such technology to Microsoft on RAND terms.

13 Microsoft also seeks to add General Instrument as a defendant, as the Motorola Parties
 14 now assert that General Instrument was assigned all ownership rights to certain of the patents
 15 already at issue in this case (and also at issue in the two actions recently filed by the Motorola
 16 Parties).

17 Microsoft requested that Defendants stipulate to Microsoft filing an amended and
 18 supplemental complaint. Defendants refused to do so.¹ Permitting Microsoft to amend and
 19 supplement its complaint will not prejudice any of the Defendants. This dispute is in its early
 20 stages. No depositions have been taken, no scheduling order has been issued, and the trial date
 21 has not been set. The Court should grant Microsoft's motion for leave to amend and
 22 supplement its complaint.

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¹ Declaration of Shane P. Cramer in Support of Microsoft's Motion for Leave to File Amended and Supplemental Complaint ("Cramer Decl."), ¶2, Ex. 1.

II. FACTUAL/PROCEDURAL BACKGROUND

2 Microsoft sued Motorola and Motorola Mobility (“Motorola”) on November 9, 2010,
3 alleging that Motorola had breached the commitments it made to offer to license patents
4 Motorola claimed were “essential” to implementation of the 802.11/WLAN wireless internet
5 standard and the H.264 video compression standard on RAND terms and conditions.
6 Complaint (Dkt. No. 1), ¶1. Both the 802.11/WLAN and H.264 technologies have been
7 adopted as industry standards. *Id.*, ¶¶ 29 & 36. Motorola participated in the adoption of each
8 of these standards by the standards development organization (“SDO”) overseeing each
9 industry (the IEEE with respect to the 802.11/WLAN standard and the ITU with respect to the
10 H.264 standard). *Id.*, ¶¶ 43-44 & 52-53. In doing so, Motorola committed to the SDOs and
11 their participating members that Motorola would offer licenses to the patents that Motorola
12 asserts are “essential” to practicing these standards on reasonable and non-discriminatory
13 (“RAND”) terms to potential licensees. *Id.*, ¶¶ 45 & 54. Despite these promises, Motorola
14 demanded that Microsoft pay excessive and discriminatory royalties, based on the end-price of
15 products (e.g., the Xbox 360, computers, smartphones, etc.), as to which the allegedly patented
16 features could form at most only a minor, and often optional, portion of the product
17 functionality and despite the fact that different products asserted to have the same allegedly
18 infringing functionality have widely disparate end prices. *Id.*, ¶¶ 6 & 65.

19 At the time Motorola demanded excessive and discriminatory royalties from Microsoft,
20 Motorola purported to own or control the asserted patents and did not mention General
21 Instrument. General Instrument is a wholly-owned subsidiary of Motorola Mobility and
22 allegedly holds all right, title, and interest to certain of the patents Motorola claims are
23 "essential" to practicing the H.264.² The Motorola Parties filed two cases in the Federal

²⁵ See Cramer Decl., Ex. 3 at ¶4.

1 District Court for the Western District of Wisconsin (Case Nos. 10-CV-699 and 10-CV-700),
 2 asserting that Microsoft infringed several patents held by them that they claim are “essential”
 3 to practice the H.264 standard.³ In both cases, the Motorola Parties are seeking – among other
 4 forms of relief – to permanently enjoin Microsoft from practicing these patents.⁴

5 The Motorola Parties likewise filed a complaint for patent infringement against
 6 Microsoft with the International Trade Commission (*In the Matter of Certain Gaming and*
 7 *Entertainment Consoles, Related Software, and Components Thereof* (ITC Case No. 337-TA-
 8 752)).⁵ The ITC Complaint contained five patents that are among those they claim are
 9 “essential” to practice the 802.11/WLAN or H.264 standard.⁶ *Id.* Just as in the Wisconsin
 10 cases, the Motorola Parties are seeking – among other forms of relief – exclusion orders that
 11 would prevent Microsoft from importing products practicing these patents.⁷

12 As Microsoft alleges in its proposed Amended and Supplemental Complaint, the
 13 Motorola Parties’ claims for injunctive and exclusionary relief are breaches of their contractual
 14 commitments to IEEE-SA, the ITU, and their members. Because of their failure to offer
 15 Microsoft a license on RAND terms and conditions, the Motorola Parties have no right to
 16 enjoin or exclude Microsoft’s implementation or importation of any technology necessary to
 17 practice those standards.

18 III. LEGAL AUTHORITY/ARGUMENT

19 Under Fed. R. Civ. P. 15(a)(3), “[T]he court should freely give leave [to amend] when
 20 justice so requires.” The rule “was designed to facilitate the amendment of pleadings except
 21 where prejudice to the opposing party would result.” *United States v. Houghman*, 364 U.S.

22 ³ Cramer Decl., Ex. 2; Ex. 3.

23 ⁴ *Id.*, Ex. 2, ¶ b; Ex. 3, ¶ b.

24 ⁵ *Id.*, Ex. 4.

25 ⁶ *Id.*

⁷ *Id.*, ¶94(e).

1 310, 316 (1960). According to a leading commentator, “[a] liberal, pro-amendment ethos
 2 dominates the intent and judicial construction of Rule 15(a).” James Wm. Moore, *Moore’s*
 3 *Federal Practice*, § 15.14[1] (3d ed. 1997). “In exercising its discretion, the court should be
 4 guided by the underlying purpose of allowing amendments to facilitate a decision on the
 5 merits.” *Id.* Further, according to the U.S. Supreme Court:

6 If the underlying facts or circumstances relied upon by a [claimant] may be a
 7 proper subject of relief, he ought to be afforded an opportunity to test his claims
 8 on the merits. In the absence of any apparent or declared reason – such as
 9 undue delay, bad faith, or dilatory motive on the part of the movant, repeated
 failure to cure deficiencies by amendments previously allowed, undue prejudice
 to the opposing party by virtue of the amendment, futility of amendment, etc. –
 the leave should, as the rules require, be “freely given.”

10 *Foman v. Davis*, 371 U.S. 178, 182 (1962).

11 Rule 15(d) authorizes the filing of supplemental complaints to set forth “transactions or
 12 occurrences or events which have happened since the date of the pleading sought to be
 13 supplemented.” *Id.* The same principles that support the liberal amendment of pleadings
 14 under Rule 15(a) also apply to supplemental pleadings under Rule 15(d). *Keith v. Volpe*, 858
 15 F.2d 467, 473 (9th Cir. 1988) (noting that supplemental pleadings “ought to be allowed as of
 16 course, unless some particular reason for disallowing them appears....”) (internal citations
 17 omitted). “The purpose of Rule 15(d) is to promote as complete an adjudication of the dispute
 18 between the parties as possible by allowing the addition of claims which arise after the initial
 19 pleadings are filed.” *Id.*, at 473-74, quoting *William Inglis & Sons Baking Co. v. ITT*
 20 *Continental Baking Co., Inc.*, 668 F.2d 1014, 1057 (9th Cir. 1982); *see also Southern Pac. Co.*
 21 *v. Conway*, 115 F.2d 746, 750 (9th Cir. 1940) (purpose of a supplemental complaint is “to
 22 bring into the record new facts which will enlarge or change the kind of relief to which the
 23 plaintiff is entitled.”).

1 Microsoft's Amended and Supplemental Complaint names an additional defendant,
2 Motorola Mobility's wholly-owned subsidiary General Instrument. General Instrument
3 purportedly holds all right, title and interest to certain of the patents that Defendants were
4 obligated license on RAND terms, but for which they sought to charge Microsoft an
5 unreasonable and excessive royalty.

6 General Instrument (along with defendant Motorola Mobility), is a plaintiff in the
7 Wisconsin and ITC patent infringement actions. The Motorola Parties were obligated to offer
8 to license every patent they asserted to be "essential" to practicing the applicable standards to
9 potential licensees on RAND terms and conditions. The failure of the Motorola Parties to
10 follow their commitments to the SDOs and their members to offer RAND licenses precludes
11 the Motorola Parties' current efforts to enjoin Microsoft from practicing the standards.

12 Permitting Microsoft to amend and supplement its complaint will not prejudice
13 Defendants in light of the nascent stage of this action and the direct relationship between the
14 parties and the claims to be added. This litigation is just three months old, Defendants have yet
15 to answer, discovery has just begun, no depositions have been taken (or noted), and a trial date
16 has not yet been set.

17 **IV. CONCLUSION**

18 For the foregoing reasons, Microsoft respectfully requests that it be granted leave to file
19 its proposed Amended and Supplemental Complaint, a copy of which is attached hereto as
20 Exhibit A.

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PLAINTIFF MICROSOFT'S MOTION FOR
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1 DATED this 7th day of February, 2011.

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15 Counsel for Plaintiff Microsoft Corp.

CERTIFICATE OF SERVICE

I hereby certify that on February 7, 2011, I electronically filed the foregoing document with the Clerk of the Court using the CM/ECF system which will send notification of such filing to the following: Philip S. McCune and Lynn M. Engel at Summit Law Group, PLLC.

/s/ Linda Bledsoe

Linda Bledsoe

**PLAINTIFF MICROSOFT'S MOTION FOR
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